

## The Fitness Industry

Shown below are recent fitness industry statistics provided by IHRSA (International Health, Racquet and Sports club Association)

Though there are many similarities between the health club industry and other retail, health promotion, hospitality and leisure time businesses, the industry is distinctive in various ways. Among them are the following:

*The industry continues to grow during economic downturns.* Whereas during the economic downturns most retail and hospitality businesses experience contraction, the health club industry has, over the past 20 years (including three recessions), continued to grow...

*It has become a convenience business.* Because workout frequency is crucial to reaping the rewards of regular exercise, clubs need to be convenient. This means that they need to be as close as possible either to where members work or to where they live. An axiom of this business is "Closer is always better."

It is difficult to overstate the importance of convenience. For most consumers, convenience trumps price. A health club member will pay \$10 to \$50 more per month to belong to a club that is convenient as opposed to one that may be less expensive, but is also less convenient.

Because convenience is such a fundamental factor in club success, site selection is of paramount importance. Most successful clubs are found at the center of upscale marketplaces that have both residential and commercial components.

Convenience implies more than proximity. It also entails accessibility. A club can be—as the crow flies—incredibly close, yet, at the same time, inaccessible. Many factors contribute to inaccessibility, including traffic patterns, traffic jams, signage problems, the lack of parking, safety and security issues, dangerous access or egress, etc.

*The industry enjoys 'annuity-like' features.* Most retail businesses begin the first day of each month with zero sales for that month. This is not true of the health club industry. On the first business day of each month, almost every club gets an electronic funds transfer payment into its bank account of somewhere between \$40,000 and \$400,000.

At almost all clubs, club members authorize their club to extract their monthly dues payment from their bank account on the first business day of the month.

In most clubs even in difficult times, these fund transfers are relatively stable. Most clubs under most circumstances gain at least as many new members each month as they lose old members. Few retail businesses have the luxury of posting such a significant portion (70% to 90%) of their monthly sales on the first business day of the month.

*The impact of the media.* On an annual basis, this industry receives hundreds of thousands of pages of free promotion, extolling the myriad benefits of regular

exercise. This extends from the nation's most prestigious publications (such as the Journal of the American Medical Association) to tabloids. Regarding the power of the media relative to the fitness business, three factors stand out.

First, every major media outlet, whether print or electronic, has a health journalist part of whose job it is to report on new research that points to the benefits of regular exercise.

Second, American lifestyle journalists are continually reporting how the nation's most prominent celebrities—whether they be political figures such as President Bush or Colin Powell, or TV personalities like Oprah Winfrey or Regis Philbin, or Hollywood stars such as Arnold Schwarzenegger, Jennifer Lopez or Julia Roberts, or sports celebrities such as Tiger Woods and Andre Agassi, or music mavens like Britney Spears or Bruce Springsteen—are all involved in regular exercise on a daily basis and who consider their involvement with exercise to be essential to their performance.

Third, pick up any issue of any major women's magazine and you will find numerous articles that either implicitly or explicitly advise and encourage its readers that the path to health and happiness passes through the door of regular exercise.

*The industry offers a distinctive value proposition.* Staying healthy and lean, and looking and feeling one's best, as well as managing stress, etc. are values that Americans prize highly. Not only does the health club industry directly address these high priority values, but also it does so---on a comparative basis—for relatively modest dollars. In essence, it costs less to be a member of most health clubs for a month than it does for a couple to have a single meal at a restaurant. It costs less to be a health club member for a month than it costs for one night's stay at a hotel. On a per-visit basis, a health club membership is a better buy than a night at the movies, an evening at a concert, a trip to a baseball game, a few hours at a spa, or even a trip to the hair stylist.

*Corporate and HMO involvement.* In recent years, two factors have begun to change the industry's exclusive reliance on retail sales.

The first of these factors is the involvement of corporations. Today, approximately 31% of America's larger corporations subsidize the health club memberships of their employees. The percentage of companies that are providing such subsidies has increased significantly in the past several years. 2003 Benefits survey. (Society for Human Resource Management)

The second factor is the involvement of health insurers. An increasing number of HMOs, including Blue Cross, Pacificare, Aetna, Cigna, Oxford, Destiny, Harvard Pilgrim, Tufts, and Wellpoint, either reward their subscribers for their involvement in exercise programs or make payments to health clubs based on their subscribers' usage of these facilities. (Wall Street Journal. HMOs, Try frequent Jogger Points. September 25, 2003)

*The industry lies in the path of progress.* The health club industry—because it provides facilities and programs that prove to be a key factor in keeping people healthy, lean, strong, and attractive---lies at the center of one particular path of

progress. That path of progress is prevention. Not only does the health club industry help people prevent heart disease, diabetes, hypertension, cancer, etc., but it is also now acknowledged that preventative health care (of which regular exercise is an indispensable part) is, from a public health perspective, equally if not more important than curative or recuperative health care. It is also recognized that in order to stay lean, strong and energetic, a regimen of regular exercise is essential. Thus, from a societal perspective as well as from an individual perspective, the health club industry is one of those industries that lie in the path of human progress.

*The industry is the beneficiary of an increasingly health-conscious, weight-conscious nation.* Numerous studies show that Americans prize health—their own and that of their loved ones—as the most important value in their lives. It ranks higher than wealth, or friends, or a fine job, or a great education.

*The industry enjoys significant landlord and equipment financing.* Because this is a fixed cost business, landlord financing can be a key success factor. Landlords who are looking to fill new retail malls and/or commercial buildings may be especially interested in health clubs as anchor tenants, due to the daily off-hours traffic clubs generate for retail areas and the amenity value of the club to other businesses.

*The industry's working capital requirements are stable.* Unlike other industries where working capital requirements increase as the business grows, in the health club industry this is not the case. For example, as the business of a restaurateur or manufacturer grows, the business will be required to tie up more and more capital to service its expanding book of business. In the health club industry, on the other hand, once the club is developed, working capital requirements do not significantly increase even as the membership grows...

*The industry possesses a potent infrastructure.* When in the late 1950s President Eisenhower created the U.S. Interstate Highway System, he was providing the infrastructure for 50 years of growth in the automobile industry.

Something comparable to that is now happening in the health club industry. Every physician, health educator, health journalist, health insurer, lifestyle columnist, school, university, and major medical institution (including the U.S. Department of Health and Human Services, the Centers For Disease Control, and the Surgeon General's Office) as well as the American Medical Association, the American Heart Association, the American Cancer Society, etc., are all advising their readers, patients, students and clients that regular exercise is vital to a health and productive life.

Today, every university in the country, both public and private, is providing its students with world-class fitness centers. This alone propels hundreds of thousands of young people into fitness centers every year. Further, when 30 years ago, Congress passed Title IX of the Educational Amendments Act, relatively few young women, as compared with young men, were involved in school sports and fitness. Today, in many parts of the country, just as many young women are involved with school sports as are young men. And, with respect to fitness, young women have become, if anything, even more involved with it than young men.

This alone will continue to have enormous impact on the U.S. health club industry for generations to come.

**Conclusion.** The health club industry will continue to enjoy strong growth for at least the next ten years. The industry has ridden out tough economic times and come back even stronger. External forces—the media, government and the medical community—both support and encourage the public to exercise. These factors combined with increasingly favorable demographics and a large pool of knowledgeable and experienced club professionals bode well for the future of the industry.

**\*\* All information above has been gathered and written by IHRSA. Snap Fitness is a proud and active supporter of IHRSA.**

What is IHRSA?

IHRSA stands for 'International Health, Racquet and Sportsclub Association.' We are a trade association serving the health and fitness club industry. IHRSA's mission is to **grow, protect and promote** the health and fitness industry, and to provide its members with benefits that will help them be more successful.

Initiatives

The fitness industry is poised to step up as a **solution** to the growing **public health crisis of obesity** and overweight. IHRSA proudly represents and supports this goal through initiatives which help promote healthy, active lifestyles, such as Get Active America!, 120 Million by 2010, and our newest initiative: 'I Lost It at the Club.'

Public Policy Agenda

IHRSA is proud to be the **primary defender and promoter** of the health club industry in Washington, DC and in state capitals across the country. IHRSA's Public Policy agenda is both defensive and offensive. We seek to prevent the government from doing things that are harmful to your business, and to strengthen initiatives that will help grow your business.

*For more information on IHRSA, please visit [www.ihrsa.org](http://www.ihrsa.org)*